

Inspector General

United States
Department of Defense



Long-term Travel Related to the Defense Comptrollership Program

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Acronyms and Abbreviations

| | |
|----------|---|
| CPO | Comptroller Proponency Office |
| DCP | Defense Comptrollership Program |
| DD Form | Department of Defense Form |
| DFAS | Defense Finance and Accounting Service |
| FICA | Federal Insurance Contributions Act |
| IRS | Internal Revenue Service |
| ITRA | Income Tax Reimbursement Allowance |
| ODS | Operational Data Store |
| RASS | Resource Allocation Selection System |
| STANFINS | Standard Finance System |
| SRD-1 | STANFINS Redesign Subsystem 1 |
| WinIATS | Windows Information Automated Travel System |



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

June 17, 2009

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Long-term Travel Related to the Defense Comptrollership Program
(Report No. D-2009-088)

We are providing this report for review and comment. We considered comments from the Assistant Secretary of the Army (Financial Management and Comptroller) and the Defense Finance and Accounting Service when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The comments from the Assistant Secretary of the Army (Financial Management and Comptroller) were partially responsive and nonresponsive. The Defense Finance and Accounting Service comments were partially responsive to two recommendations. Therefore, we request additional comments on recommendations A.1., A.2., B.1., and B.2. by July 17, 2009.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send management comments in electronic format (Adobe Acrobat file only) to audclev@dodig.mil. Copies of management comments must have the actual signature of the authorizing official for your organization. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905.

Paul J. Granetto, CPA
Principal Assistant Inspector General
for Auditing

June 17, 2009



Results in Brief: Long-term Travel Related to the Defense Comptrollership Program

What We Did

Our audit objective was to determine whether the DoD properly followed applicable regulations for long-term travel associated with the Defense Comptrollership Program (DCP).

What We Found

The Defense Finance and Accounting Service (DFAS) did not follow applicable regulations for long-term travel associated with the DCP. Specifically, DFAS did not withhold any employment taxes from DCP long-term travel (DCP travel) reimbursements for 60 Army civilian students (students). According to a DFAS representative, DCP travel reimbursements are not taxable income. Additionally, DFAS did not provide complete documentation to support DCP travel reimbursements for 16 students because it retains some DCP travel reimbursement documentation at an archive facility. As a result, DFAS did not deposit an estimated \$803,195 in employment taxes with the appropriate Federal and State tax organizations for students graduating from 2002 through 2007 (finding A).

The Comptroller Proponency Office (CPO) could not provide complete DCP travel authorizations for 31 of 60 students because it did not retain all DCP travel authorizations. As a result, students may have been on DCP travel without proper authorizations (finding B).

We identified internal control weaknesses as they related to the audit objective. Specifically, we identified internal control weaknesses related to the identification of taxable income and the retention of DCP travel documentation.

See the Finding section for further details on the internal control weaknesses.

What We Recommend

The Director, DFAS, should recover applicable employment taxes and pay applicable employer taxes due to the Internal Revenue Service for DCP travel reimbursements for students graduating from 2002 through 2007. DFAS should also withhold employment taxes and issue Forms W-2 to future civilian students. Additionally, DFAS should retain DCP travel reimbursement documentation for 6 years and 3 months and also conduct periodic quality assurance reviews to ensure that DCP travel reimbursement documentation is properly retained.

The Functional Chief Representative, CPO, should retain all DCP travel authorizations for 6 years and certify that the DCP travel authorizations are retained.

Management Comments and Our Responses

The Director, Standards and Compliance, DFAS, agreed with three recommendations and partially agreed with two recommendations. The comments were responsive to three recommendations and partially responsive to two recommendations. The Functional Chief Representative, CPO, disagreed with two recommendations. The comments were partially responsive and nonresponsive. We request that the Director, Standards and Compliance, DFAS, and the Functional Chief Representative, CPO, provide comments on the final report by July 17, 2009. Please see the recommendations table on the back of this page.

Recommendations Table

| Management | Recommendations Requiring Comment | No Additional Comments Required |
|--|--------------------------------------|------------------------------------|
| Functional Chief Representative, Comptroller Proponency Office, Assistant Secretary of the Army (Financial Management and Comptroller) | B.1. and B.2. | |
| Director, Defense Finance and Accounting Service | A.1. and A.2. | A.3., A.4., and A.5. |

Please provide comments by July 17, 2009.

Table of Contents

| | |
|--|----|
| Results in Brief | i |
| Introduction | 1 |
| Objective | 1 |
| Background | 1 |
| Review of Internal Controls | 3 |
| Finding A. DFAS Processing of DCP Travel Reimbursements | 4 |
| Recommendations, Management Comments, and Our Response | 6 |
| Finding B. Army Retention of DCP Travel Authorizations | 9 |
| Recommendations, Management Comments, and Our Response | 9 |
| Appendix. Scope and Methodology | 12 |
| Prior Coverage | 13 |
| Management Comments | |
| Assistant Secretary of the Army (Financial Management and Comptroller) Comments | 15 |
| Defense Finance and Accounting Service Comments | 17 |

Introduction

Objective

Our audit objective was to determine whether DoD properly followed applicable regulations for long-term travel associated with the Defense Comptrollership Program. See Appendix A for a discussion of the scope and methodology related to the objective.

Background

In 1952, the Department of the Army (Army) established the Army Comptrollership Program at Syracuse University, New York, to address Army Comptroller and financial management educational needs. The Army later began extending the Army Comptrollership Program to other Military Departments, Defense agencies, and U.S. Coast Guard representatives. In 2006, the Army renamed the Army Comptrollership Program to the Defense Comptrollership Program (DCP). The DCP is a 14-month graduate program that combines business and public administration theories with the realities of the DoD resource management environment. DCP students graduate with a Master of Business Administration degree from the Whitman School of Management and an Executive Master of Arts in Public Administration degree from the Maxwell School of Citizenship and Public Affairs.

DCP Students

The DCP contained 162 DoD military and civilian students in the graduating classes of 2002 through 2007. Military students represent 60 percent of each class and generally hold the rank of captain or major (pay grades O-3 or O-4). Military students attend the DCP as a permanent change of station.¹ DoD civilian students represent the other 40 percent of each class. These students generally range from General Schedule grades 9 through 12 (equivalent to National Security Personnel System pay band 1 or 2) and attend the DCP in a continuous long-term travel status. Long-term travel is any travel assignment more than 180 consecutive calendar days. During the DCP classes of 2002 through 2007, 63 DoD civilian students graduated. Of these 63 graduates, 60 were Army and 3 were Air Force civilian students.

Army Civilian DCP Travel Authorization Process

Because Army civilian students (students) are in a long-term travel status, they are entitled to a per diem allowance when traveling away from their regular place of business.² However, students are only entitled to 55 percent per diem for the DCP because the training assignment is greater than 30 days. Students use the Resource Allocation Selection System (RASS) to request training and long-term travel funds for the DCP. RASS is a real-time, Web-based, life-cycle management system that

¹ A permanent change of station is the assignment, detail, or transfer of an employee to a different permanent work assignment location.

² Per diem allowance is a daily payment for lodging, meals, and related incidental expenses.

centralizes management of funds for Army Civilian Training, Education, and Development. Students access RASS and electronically complete a Department of Defense Form (DD Form) 1556, "Request, Authorization, Agreement, Certification of Training and Reimbursement,"³ and DD Form 1610, "Request/Authorization for TDY Travel of DoD Personnel." The Comptroller Proponency Office (CPO), Assistant Secretary of the Army (Financial Management and Comptroller) approves these forms in RASS. RASS then generates a notification to the Army Civilian Training, Education, and Development System Resource Management Office. The Army Civilian Training, Education, and Development System Resource Management Office accesses RASS to identify the long-term travel amount to certify the funds and then manually enters this amount in the Resource Services Washington system. The Resource Services Washington system then transfers the obligated fund amounts to the Standard Finance System (STANFINS). STANFINS is the Defense Finance and Accounting Service (DFAS) online finance and accounting system.

DFAS Reimbursement Processing for Students

DFAS Indianapolis was responsible for processing DCP long-term travel (DCP travel) reimbursements for students in the graduating classes of 2002 through 2007.⁴ Initially, DFAS receives voucher documentation from students. The voucher documentation includes an approved DD Form 1610 and a DD Form 1351-2, "Voucher or Subvoucher," to claim reimbursement for long-term travel. DFAS then enters the student's travel information into the Windows Integrated Automated Travel System (WinIATS). WinIATS calculates the voucher amounts. DFAS then uploads all voucher information to the Operational Data Store (ODS). Each night, ODS electronically transmits the voucher amount and information to STANFINS Redesign Subsystem 1 (SRD-1).⁵ SRD-1 interfaces with STANFINS to identify the obligation and then disburses the reimbursement amount to the students. SRD-1 then transfers this disbursement information to ODS, which maintains a disbursement history for DCP travel reimbursements. DFAS personnel extract the disbursement information from ODS and manually input it into WinIATS. DFAS then prints the reimbursement documentation from WinIATS. It retains this hard copy and also scans a copy into the On Base Information System for electronic storage.

Taxability of Long-term Travel Reimbursements

The Army notifies each student by a Letter of Instruction that DCP travel reimbursements are taxable income. The Department of the Treasury, Treasury Financial Manual, volume 1, part 3, chapter 4000, "Federal Income, Social Security, and Medicare Taxes," March 2005, requires employers to withhold, deposit, and pay Federal income taxes, as well as the employee portion of Federal Insurance Contributions Act (FICA) taxes.⁶ Employers must also pay the employer portion of FICA tax. Additionally, chapter 5000,

³ On October 22, 2007, the Office of Personnel Management replaced the DD Form 1556 with the SF 182, "Authorization, Agreement, and Certification of Training."

⁴ The processing of DCP travel reimbursements was transferred to Rome, New York during May 2008.

⁵ SRD-1 is a disbursing and entitlements database system.

⁶ FICA taxes consist of Social Security and Medicare taxes.

“Withholding of District of Columbia, State, City, and County Income for Employment Taxes,” July 1992, requires employers to withhold, deposit, and pay State and local income taxes from employees. Each student is also notified that income taxes paid on long-term travel are reimbursable. The Joint Travel Regulation, volume 2, “DoD Civilian Personnel,” chapter 4, “Employee Travel,” July 1, 2007, provides that an employee is eligible for an Income Tax Reimbursement Allowance (ITRA) when they pay Federal, State, and local income taxes on long-term travel reimbursements. However, it also indicates that ITRA does not include reimbursement for FICA taxes.

Review of Internal Controls

We identified internal control weaknesses as they related to the audit objective. According to a DFAS representative, DCP travel reimbursements are not taxable income. DFAS and CPO also did not retain some DCP travel supporting documentation. Implementing recommendations A.1., A.2., A.3., A.4., and A.5. will strengthen policies and procedures to ensure that DFAS properly follows applicable regulations associated with the DCP. Additionally, implementing recommendations B.1. and B.2. will strengthen policies and procedures to ensure that CPO properly authorized students prior to DCP travel. We will provide a copy of the final report to the senior official responsible for internal controls in the Army and DFAS.

Finding A. DFAS Processing of DCP Travel Reimbursements

DFAS did not follow applicable regulations for long-term travel associated with the DCP. Specifically, DFAS did not withhold any employment taxes from DCP travel reimbursements for 60 students. According to a DFAS representative, DFAS did not consider the reimbursements to be taxable income. Additionally, DFAS did not provide complete documentation to support DCP travel reimbursements for 16 students.

According to a DFAS representative, DFAS did not provide the documentation because it retains some DCP travel reimbursement documentation at an archive facility. As a result, DFAS did not deposit an estimated \$803,195 in employment taxes with the appropriate Federal and State tax organizations for students from 2002 through 2007.

DoD Financial Management Regulation

DoD Financial Management Regulation 7000.14-R, volume 5, chapter 21, “Disbursing Office Records,” March 2003, requires original disbursing office records and associated papers to be retained and readily accessible for 6 years and 3 months.

DoD Financial Management Regulation 7000.14-R, volume 9, chapter 8, “Processing Travel Claims – Other Than Defense Travel System,” March 2006, states that reimbursements earned during a temporary duty assignment at one location for more than a year are taxable income. It also requires the issuance of a Form W-2, “Wage and Tax Statement” for these taxable reimbursements.

Tax Withholding on DCP Travel Reimbursements

DFAS did not follow applicable regulations for long-term travel associated with the DCP. Specifically, DFAS did not withhold any employment taxes from DCP travel reimbursements for 60 students. According to a DFAS representative, DFAS did not withhold taxes on DCP travel reimbursements because it did not consider the reimbursements to be taxable income. Students in the graduating classes of 2002 through 2007 received approximately \$1.8 million for DCP travel. For example, during 2004 and 2005 an Army civilian graduate received a total of \$29,073 in long-term travel reimbursements for attendance in the DCP. DFAS should withhold Federal, State, and local income taxes and the employee portion of FICA taxes from all employees’ earnings. However, DFAS did not withhold any employment taxes on these payments. According to the DoD Financial Management Regulation, reimbursements earned during a temporary duty assignment at one location for more than a year are taxable income. Because the DCP is a continuous, 14-month program, all travel reimbursements are taxable income. Also, the Treasury Financial Manual requires employers to withhold employment taxes, and the DoD Financial Management Regulation requires the issuance of a Form W-2. DFAS is responsible for withholding employment taxes and issuing Form W-2 on all taxable income for DoD employees. Therefore, DFAS should withhold employment taxes for DCP travel reimbursements and issue the Form W-2 to future civilian students.

Retention of DCP Travel Reimbursement Documentation

DFAS did not provide complete documentation to support DCP travel reimbursements for 16 students. For 13 students, even though DFAS was able to provide a list of disbursements, it did not provide supporting documentation for all disbursements. For the remaining three students, DFAS did not provide any disbursement documentation. According to a DFAS Indianapolis representative, DFAS did not provide the documentation because it retains some DCP travel reimbursement documentation at an archive facility. However, after several attempts to obtain the documentation, DFAS still did not provide the travel reimbursement documentation. The DoD Financial Management Regulation requires DFAS to retain and make readily accessible disbursing office records and associated papers for 6 years and 3 months. DFAS should retain DCP travel reimbursement documentation. DFAS should also conduct periodic quality assurance reviews to ensure that DCP travel reimbursement documentation is retained for 6 years and 3 months.

Taxes Deposited for DCP Travel Reimbursements

DFAS did not deposit an estimated \$803,195 in employment taxes with the appropriate Federal and State tax organizations for students graduating from 2002 through 2007. DFAS must deposit Federal, State, and local income taxes, as well as the employee and employer portions of FICA taxes, on employees' earnings. Specifically, DFAS should have deposited an estimated \$448,485 in Federal income taxes with the Internal Revenue Service (IRS) for the students' long-term travel reimbursements. U.S. Federal income tax is a progressive tax that taxes a larger percentage of income from high-income groups than from low-income groups. Also, DFAS should have deposited an estimated \$113,946 in State income taxes with the New York State Department of Taxation and Finance for DCP student travel reimbursements. According to the New York State Department of Taxation and Finance guidelines, students are part-year residents of New York. We also verified with a New York State Department of Taxation and Finance representative that DCP students are part-year residents of New York and should pay New York income taxes on all long-term travel reimbursements. New York income tax is also a progressive tax, ranging from 4 percent to 7 percent. Additionally, DFAS should have deposited an estimated \$240,764 in FICA taxes with the IRS on DCP travel reimbursements for students. The employee and employer pay a matching portion of FICA. Since 1990, the tax rate for Social Security has been 12.4 percent, with the employee and employer paying equal portions of 6.2 percent. The tax rate for Medicare has been 2.9 percent, with the employee and employer paying equal portions of 1.45 percent. DFAS should have deposited an estimated \$120,382 each for the employer and employee portions of FICA taxes from DCP travel reimbursements for students. Therefore, DFAS should recover applicable employment taxes from students graduating from 2002 through 2007. DFAS should also pay the IRS the employer portion of FICA taxes due on DCP travel reimbursements.

Because DFAS did not withhold any employment taxes, the students are responsible to pay employment taxes on DCP travel reimbursements. Each student is notified that per diem reimbursements of more than one year are taxed as ordinary income and that income taxes paid on long-term per diem are reimbursable. We identified 6 of 60

students that paid income taxes because they received ITRA reimbursements. The other 54 students may have paid income taxes, but DFAS could not provide documentation supporting ITRA reimbursements. Many of these 54 students hold management positions within the DoD. They may also hold security clearances and professional certifications. The willful failure to pay income taxes on DCP travel reimbursements could result in the disqualification of a security clearance or the loss of a professional certification. We requested that the Defense Criminal Investigative Service review whether the 54 students paid employment taxes on long-term travel reimbursements.

Management Actions

After the issuance of the draft report, DFAS provided additional documentation to support DCP travel reimbursements. In the draft report we stated that DFAS did not provide complete documentation to support DCP travel reimbursements for 18 students, but it has since provided additional travel reimbursement documentation for 2 students. As a result, DFAS did not provide complete documentation to support DCP travel reimbursements for 16 students.

Recommendations, Management Comments, and Our Response

We recommend that the Director, Defense Finance and Accounting Service:

A.1. Recover applicable employment taxes from students graduating from 2002 through 2007.

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, partially agreed with our recommendation. He stated that taxes may still be owed for tax years 2006 and 2007. He stated that when DFAS does not withhold applicable taxes from payments, the students are responsible for paying them and that DFAS will contact the students who attended DCP in 2006 and 2007 to determine whether they paid the employment taxes when they filed their tax returns. If not, DFAS will collect the employment taxes and pay the IRS. DFAS will also issue a Form W-2 to these students. However, he added, because there is a 3-year statute of limitations regarding the adjustment of employment taxes, it is not appropriate to attempt to collect employment taxes from the former students for tax years 2002 through 2005. This action will be completed within 90 days of confirmation from the students whether employment taxes were paid.

Our Response

The Director, Standards and Compliance, comments were partially responsive. We agree with the proposed actions that DFAS is taking for the students who attended DCP in 2006 and 2007. We also recognize that title 26, United States Code, Section 6501, "Limitations on assessment and collection," provides for a 3-year statute of limitations on the assessment and collection of taxes. However, there are exceptions to this statute. There is a 6-year statute of limitations on the assessment and collection of taxes when an individual omits an amount greater than 25 percent of gross income. There is no statute

of limitations if an individual does not file a return, files a false or fraudulent return, or makes a willful attempt to evade taxes. Therefore, DFAS should review the facts pertaining to each student from 2002 through 2005 to determine whether any exceptions apply and the appropriate corrective actions. We request that the Director, Standards and Compliance, reconsider his position and provide additional comments on the final report.

A.2. Pay the Internal Revenue Service the employer's portion of Federal Insurance Contributions Act taxes due on Defense Comptrollership Program travel reimbursements for students graduating from 2002 through 2007.

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, partially agreed with our recommendation. He stated that for tax years 2006 and 2007, the employer is responsible for paying the employer portion of Federal Insurance Contributions Act taxes. He stated that DFAS will coordinate with the activities funding the travel, because DFAS is only the paying agent, not the employer. He added that the 3-year statute of limitations applies and eliminates any tax liability for tax years 2002 through 2005. This action will be completed within 90 days of determination of the students affected and coordination with funding activities.

Our Response

The Director, Standards and Compliance, comments were partially responsive. We agree with the proposed actions that DFAS is taking for the students that were in DCP during 2006 and 2007. We also recognize that title 26, United States Code, Section 6501, "Limitations on assessment and collection," provides for a 3-year statute of limitations on the assessment and collection of taxes. However, there are exceptions to this statute that apply to the employer portion of Federal Insurance Contributions Act taxes. There is a 6-year statute of limitations on the assessment and collection of taxes when an individual omits an amount greater than 25 percent of gross income. There is no statute of limitations if an individual does not file a return, files a false or fraudulent return, or makes a willful attempt to evade taxes. Therefore, DFAS should review the facts pertaining to each student from 2002 through 2005 to determine whether any exceptions apply and the appropriate corrective action. We request that the Director, Standards and Compliance reconsider his position and provide additional comments on the final report.

A.3. Withhold employment taxes from Defense Comptrollership Program travel reimbursements and issue Form W-2, "Wage and Tax Statement," to future civilian students.

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, agreed and stated that procedures are in place to make appropriate deductions from current and future students and to issue appropriate Forms W-2. This recommendation is considered closed as of April 2, 2009.

Our Response

The Director, Standards and Compliance comments were responsive and conform to requirements; no additional comments are needed.

A.4. Retain all Defense Comptrollership Program travel reimbursement supporting documentation for 6 years and 3 months, as required by the DoD Financial Management Regulation 7000.14-R, volume 5, chapter 21, “Disbursing Office Records,” March 2003.

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, agreed and stated that since March 2003, regulations and local guidance have been in place requiring the recommended retention. The Director considers this recommendation to be closed.

Our Response

The Director, Standards and Compliance, comments were responsive and conform to requirements; no additional comments are needed.

A.5. Conduct periodic quality assurance reviews to ensure that Defense Comptrollership Program travel reimbursement documentation is retained for 6 years and 3 months.

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, agreed and stated that DFAS would add the requirement to perform periodic quality assurance reviews to the DFAS Travel Pay Operations, “Annual Statement Required under the Federal Managers’ Financial Integrity Act of 1982,” Appendix A, Internal Control Matrix, to ensure that travel reimbursement documentation is retained for 6 years and 3 months. He stated that corrective action would be completed by July 1, 2009.

Our Response

The Director, Standards and Compliance comments were responsive and conform to requirements; no additional comments are needed.

Finding B. Army Retention of DCP Travel Authorizations

The Comptroller Proponency Office, Assistant Secretary of the Army (Financial Management and Comptroller) could not provide complete DCP travel authorizations for 31 of 60 students. The Comptroller Proponency Office did not retain all DCP travel authorizations. As a result, students may have been on DCP travel without proper authorizations.

Retention of DCP Travel Authorization Documentation

CPO could not provide documentation that authorized DCP travel for students. To travel to the Syracuse University campus to participate in DCP, each student must prepare a DD Form 1610. CPO could not provide complete DD Forms 1610 for 31 of 60 students graduating from 2002 through 2007. CPO could not provide documentation because it did not retain all DCP travel authorizations. CPO conducted an extensive search but was unable to locate the missing DCP travel authorizations. The National Archives and Records Administration General Records Schedule 9, "Travel and Transportation Records," April 2003, states that travel authorizations and vouchers, and other related supporting documents, must be retained for 6 years. CPO should retain DCP travel authorizations and also certify these records are retained for 6 years.

Travel Authorizations of Students

Students potentially were on DCP travel without proper authorizations. Because CPO could not provide complete DD Forms 1610 for 31 of 60 students graduating from 2002 through 2007, these students may have been on unauthorized long-term travel.

Recommendations, Management Comments, and Our Response

We recommend that the Functional Chief Representative, Comptroller Proponency Office, Assistant Secretary of the Army (Financial Management and Comptroller):

B.1. Retain all Defense Comptrollership Program travel authorizations for 6 years, as required by the National Archives and Records Administration General Records Schedule 9, "Travel and Transportation Records," April 2003.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The Functional Chief Representative, CPO, disagreed with our recommendation. She stated that she agrees that CPO should keep copies of all the DCP documentation. However, she does not agree that this should be a finding against CPO. She believes that it should be an unofficial recommendation. The Functional Chief Representative believes that the Deputy Chief of Staff, G1, should retain all DCP travel authorizations for 6 years as required by the National Archives and Records Administration General Records Schedule 9, "Travel and Transportation Records," April 2003. The National Archives

and Records Administration General Schedule 9 states that the movement of persons is documented by copies of travel orders. The two primary copies of travel orders are the administrative copy maintained by the transportation unit controlling the authorization of travel and the copy used for encumbrance of funds.

Additionally, the Functional Chief Representative stated that the DoD Financial Management Regulation, volume 9, chapter 2, paragraph C, requires that the authorizing official be appointed in writing and be responsible for determining the necessity of trips and funds availability, authorizing travel, assigning the proper line of accounting prior to authorization, and approving/certifying travel claims for validity after completion of travel. The authorizing official also should be the individual who controls the mission, authorizes the trip, and controls funds for temporary duty travel. The Functional Chief Representative stated that the Deputy Chief of Staff is the authorizing official on the DD Form 1610 for the DCP. Only the Deputy Chief of Staff can authorize the travel and obligate the funds, because it has not decentralized the funds to the Functional Chief Representatives. If the Deputy Chief of Staff does not authorize the document in Resource Allocation Selection System, the students cannot attend the training.

Our Response

The Functional Chief Representative, CPO, comments were partially responsive. The Functional Chief Representative agreed that she should keep copies of all DCP documentation, to include travel authorizations. We also believe that CPO should retain all DCP travel authorizations for 6 years. CPO has ultimate responsibility for the oversight and management of the DCP and approval of all DCP travel authorizations. CPO controls the DCP mission, determines the necessity for travel, and approves the DD Form 1610, "Request/Authorization for TDY Travel of DoD Personnel," by signing it as the approving/directing official. CPO must approve all DCP travel for civilian students prior to the Deputy Chief of Staff certifying travel funds. The students cannot attend the DCP without the approval of CPO. Additionally, the National Archives and Records Administration General Records, Schedule 9, does not preclude CPO Office from retaining travel authorizations. Therefore, we believe that CPO should retain all DCP travel authorizations for 6 years. We request that the Functional Chief Representative reconsider her position and provide additional comments on the final report.

B.2. Certify that the Defense Comptrollership Program travel authorizations are retained for 6 years.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The Functional Chief Representative, CPO, disagreed with our recommendation. She stated that she agrees that CPO should keep copies of all the DCP documentation. The Functional Chief Representative believes that the Deputy Chief of Staff, G1, should certify the retention of all DCP travel authorizations for 6 years.

Our Response

The Functional Chief Representative, CPO, comments were nonresponsive. The Functional Chief Representative agreed that she should keep copies of all DCP documentation, to include travel authorizations. We also believe that CPO should retain all DCP travel authorizations for 6 years. Therefore, CPO should certify that it retains all DCP travel authorizations for 6 years. We request that the Functional Chief Representative reconsider her position and provide additional comments on the final report.

Appendix. Scope and Methodology

We conducted this performance audit from August 2008 through March 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To review DCP travel, we evaluated the long-term travel process for 60 Army civilian students graduating from 2002 through 2007. We did not review the three Air Force civilian students because they did not represent a significant population of DCP civilian students. We contacted representatives from the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer; Office of the Assistant Secretary of the Army (Financial Management and Comptroller); DFAS Civilian Pay; DFAS Travel Pay Operations; and Syracuse University.

To accomplish the audit objectives, we performed the following tasks.

- We met with representatives from CPO to gain an overall understanding of the DCP process and RASS. We obtained class rosters for DCP students in the graduating classes of 2002 through 2007. We also obtained the budget and authorization documentation available for the students. Specifically, we obtained the Request for Central Resource Support Forms, Competitive Professional Development Requirements Plans, DD Forms 1556 and 1610. We compared budgeted amounts to authorized amounts to identify excessive travel authorizations.
- We met with personnel from DFAS Travel Pay Operations located in Indianapolis, Indiana and Rome, New York to gain an overall understanding of the processing of DCP travel reimbursements. We obtained and reviewed all available DCP travel disbursement history and DD Forms 1610 and 1351-2 for students. We reviewed this documentation to identify the total amount disbursed to each student graduating from 2002 through 2007. We also obtained ITRA documentation for all 6 students that applied for reimbursement.
- We contacted representatives from DFAS Civilian Pay in Columbus, Ohio and Indianapolis, Indiana to obtain all Forms W-2 issued to 60 Army civilian students. DFAS obtained the Forms W-2 from the Defense Civilian Payroll System. We reviewed the Forms W-2 to identify the earnings subject to taxes. We used the earnings to identify tax rates and determine estimated employment taxes on DCP travel reimbursements. We did not calculate local income taxes on DCP travel reimbursements.

- We contacted a representative from Syracuse University to gain an understanding of his role and responsibilities in the DCP.

Use of Computer-Processed Data

To perform this audit, we used data from RASS, STANFINS, WinIATS, ODS, SRD-1, On Base Information System, and the Defense Civilian Payroll System. Each year, DoD Office of Inspector General auditors conduct general and application control tests on the Defense Civilian Payroll System. We determined data reliability on the other systems by comparing long-term travel authorizations and reimbursement documentation to system information and recalculated per diem entitlements. These assessments indicate the data was sufficiently reliable to accurately reflect the travel payments for the purpose of our review.

Prior Coverage

No prior coverage has been conducted on long-term travel related to the DCP during the last five years.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments



REPLY TO
ATTENTION OF
SAFM-PO

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

5 May 2009

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Long-term Travel Related to the Defense Comptroller Program
(Project No. D2008-D000FC-0260.000)

1. Comments on the draft report Recommendations B.1. and B.2 on Long-term Travel Related to the Defense Comptrollership Program are provided.

Recommendations:

B.1. Retain all Defense Comptrollership Program travel authorizations for 6 years, as required by the National Archives and Records Administration General Records Schedule 9, "Travel and Transportation Records," April 2003.

B.2. Certify that the Defense Comptrollership Program travel authorizations are retained for 6 years.

Comments: Nonconcur with both Recommendations B.1. and B.2.

Although I do agree that the Proponency Office should keep copies of all the documentation for our careerists attending DCP, I do not agree that this should be a "Finding" against the Comptroller Proponency Office. I would rather see it as an unofficial recommendation from the IG Audit team.

The "National Archives and Records Administration General Records Schedule" states on Transmittal No. 9, dated April 2003, under General Records Schedule 9, Travel and Transportation Records, b. Movement of persons. "The movement of persons is documented by copies of travel orders, authorizing travel and subsequent payment, and standard-form vouchers showing payment for official travel. The two primary copies of travel orders are the administrative copy maintained by the transportation unit controlling the authorization of travel (which is the Deputy Chief of Staff, G1) and the copy used for encumbrance of funds" (which again is the document used by the G1 to obligate the funding). Only the G1 can authorize the travel and obligate the funds since they have not decentralized the funds to the Functional Chief Representatives (FCRs). If G1 does not authorize the document in RASS, the careerists cannot attend the training. The G1 is the Authorizing/Order-Issuing Official which is identified in Block 20 of the DD Form 1610. This particular DoD IG official "Finding" should be issued against the G1 as the Authorizing Official and Fund Holder (not the Proponency Office). The DoD IG recommendation should also be in accordance with the National Archives and Records Administration General Records Schedule transmittal and state on the official audit report: B.1. G1 retain all Defense Comptrollership Program travel authorizations for 6 years, as required by

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Long-term Travel Related to the Defense Comptroller Program
(Project No. D2008-D000FC-0260.000)

the National Archives and Records Administration General Records Schedule. (not PO as the draft currently states) And, B.2. Certify that the Defense Comptrollership Program travel authorizations are retained for 6 years by the G1 (not PO).

G1 does not decentralize the ACTEDS funding therefore G1 should have all the responsibilities that being the funds holder and authorizing official entails. The DoD Financial Management Regulation, Volume 9, Chapter 2, Paragraph C describes: "Authorizing Official (AO). This individual shall be appointed in writing and be responsible for determining the necessity of trips and funds availability, authorizing travel, assigning the proper LOA prior to authorization, and approving/certifying travel claims for validity after completion of travel. The AO shall be the individual who controls the mission, authorizes the trip, and controls funds for temporary duty (TDY) travel....." Again, the AO on the DD 1610 for DCP is the G1, not the Proponency Office.

In an email from [REDACTED] dated Monday, March 9, 2009 to [REDACTED], OIG DoD, [REDACTED] wrote:

"Flow of DD1610 in RASS looks like this:

.....
(Last paragraph:)

ACTEDS RM completes RASS document, approves the document. RASS then transmits an email alerting the participant of the approved DD1610. Participant can then print out hard copy and complete travel itinerary."

[REDACTED] also wrote: "Once the final approval is made on the SF182 and/or DD1610 and the document(s) flow back to the participant - the ACTEDS RM office then manually submits obligation (funding) date into RSW, which then populates STANFINS."

So, the G1 approves the DD1610 and obligates the funding as written and confirmed by [REDACTED]. Therefore, the responsibility is theirs to have the documentation on file for 6 years.

Terry L. Placek
Terry L. Placek

Functional Chief Representative, CP-11

Defense Finance and Accounting Service Management Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON
1851 SOUTH BELL STREET
ARLINGTON, VA 22240-5291

MAY 8 2009

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCIAL AUDITING SERVICE,
OFFICE OF THE INSPECTOR GENERAL, DoD

SUBJECT DFAS Comments to DoDIG Draft Report, "Long Term Travel Related to the
Defense Comptrollership Program", dated April 6, 2009, Project D2008-
D000FC-0260.000

Attached are management comments to DoDIG Draft Report, "Long Term Travel
Related to the Defense Comptrollership Program", for recommendations A1-A5.

Questions your staff may have concerning these matters may be directed to [REDACTED]

David E. McDermott
Director, Standards & Compliance

Attachment:
As stated

www.dfas.mil
Your Financial Partner @ Work

DFAS Comments to DoDIG Draft Report, "Long Term Travel Related to the Defense Comptrollership Program", dated April 6, 2009, Project D2008-D000FC-0260.000

We Recommend that the Director, Defense Finance and Accounting Service:

Recommendation A.1: Recover applicable employment taxes from students graduating from 2002 through 2007.

Management Comments: Concur in part. Taxes may still be owed for tax years 2006 and 2007. When taxes are not withheld from payments, the students are responsible to claim and pay any applicable taxes. DFAS will contact the students who attended the DCP in 2006 and 2007 to find out if employment taxes were paid by the students when they filed their tax returns. If not, the employment taxes will be collected from the students and paid to the IRS. DFAS will issue a W-2 to the employee. There is a 3-year statute of limitations regarding adjusting employment taxes. Thus, it is not appropriate to attempt to collect employment taxes from the former students for tax years 2002-2005

Estimated Completion Date: To be completed within 90 days after confirmation from students whether employment taxes were paid.

Recommendation A.2: Pay the Internal Revenue Service the employer's portion of Federal Insurance Contributions Act taxes due on Defense Comptrollership Program travel reimbursements for students graduating from 2002 through 2007.

Management Comments: Concur in part. For tax years 2006 and 2007, the employer is responsible for paying the employers portion of FICA taxes. DFAS will coordinate with the activities funding the travel, as DFAS is not the employer, but only the paying agent. As discussed above, the 3-year statute of limitations applies and eliminates any tax liability for tax years 2002-2005.

Estimated Completion Date: To be completed within 90 days after determination of students impacted and coordination with funding activities.

Recommendation A.3 Withhold employment taxes from Defense Comptrollership Program travel reimbursements and issue Forms W-2, "Wage and Tax Statement," to future civilian students.

Management Comments: Concur. Procedures have been put in place to make appropriate deductions from current and future students and to issue appropriate Forms W-2.

Completion Date: April 2, 2009. This recommendation is considered closed.

Recommendation A.4: Retain all Defense Comptrollership Program travel reimbursement supporting documentation for 6 years and 3 months as required by the DoD Financial Management Regulation 7000.14-R, volume 5, chapter 21, "Disbursing Office Records," March 2003.

Management Comments: Concur. Regulations and local guidance are in place requiring the recommended retention.

Completion Date: March 2003. This recommendation is considered closed.

Recommendation A.5: Conduct periodic quality assurance reviews to ensure Defense Comptrollership Program travel reimbursement documentation is retained for 6 years and 3 months.

Management Comments: Concur. DFAS will add the requirement to the travel FMFIA, Appendix A, Internal Control Matrix to perform periodic quality assurance reviews to ensure that travel reimbursement documentation is retained for 6 years and 3 months.

Estimated Completion Date: July 1, 2009.



Inspector General Department of Defense